

A Sample Hybrid Export Regime
Designed to Allow Easy Modification
November 25, 1998
Draft

Default Operational Rules

Accord - E/I + VAMP extended to 60 days + additional 15 discretionary days. **[note to Bruce/Ron. I eliminated E/I. This is worth further discussion. Taking out E/I gives us enough water to satisfy all sides. But how do we generate credits for relaxations now? I suppose that we should go a contract for our expected benefits, or simply calculate how much water is generated each year as a result of eliminating E/I and make those into credits.**

Possible Modifications:

- o Reduce or eliminate VAMP days. Eliminate E/I Ratio. This change would require that EWA receive additional credits annually to compensate for greater export capabilities.*
- o Tighten default rules. Reduce access to environmental credits.*

Snapshot of EWA assets on day 1 -- Assumed to be August 21, 1999 (San Luis low point)

1. 100 kaf of non spillable water stored on behalf of EWA in (pick one or more): Kern Water Bank, MWD, San Luis. This water is deposited during 1999.
2. Contract with USBR and SWP for 50% share of supplies generated by elimination of E/I. **[Can we quantify this?]**
3. Contract with USBR for 50% share of supplies generated by JPOD. **[Can we quantify this?]**

Contract quantities will be based upon an agreed methodology and will be calculated each year. These credits can be drawn upon in advance, based upon projected values. These credits do not rely upon access to storage, if used in the same year, but come out of state and federal project supplies. If these credits are to be held for future years, then storage will be needed.

4. 200 kaf worth of option contracts for water south of the Delta, with enough money in reserve to call in those options for 4 years during Stage 1 of CALFED implementation.
5. Additional credits may be generated by curtailing the VAMP period or by not using all 15 discretionary days of shut down (see description of default rules).

Possible Modifications:

- o Instead of contracts for a share of new supplies from elimination of E/I and JPOD, credits could be accumulated based upon strict daily accounting as discussed at the November 24 meeting.*
- o More or less water through options could be developed.*

- o *More or less water could stored during 1999 in advance of the start date.*
- o *The sharing formulas could be altered.*

Further development of EWA during Stage 1

1. EWA controls 50% of new storage south of the Delta during Stage 1. Assume 300 kaf of environmental high priority storage above and beyond the 100 kaf of storage on day 1. Fillable with any credits held by EWA.
2. Contract with USBR and SWP for 50% share of supplies generated by (1) expansion of Banks pumping and (2) State/Federal canal intertie. **[Can we quantify?]**

Contract quantities will be based upon an agreed methodology and will be calculated each year. These credits can be drawn upon in advance, based upon projected values. These credits do not rely upon access to storage, if used in the same year, but come out of state and federal project supplies. If these credits are to be held for future years, then storage will be needed.

3. EWA cofunds reclamation project in southern California and gains credits for its share of water produced each year. Assume 20 kaf of reliable water each year.
4. Expansion of option contracts by 200 kaf.

Thus, after Stage 1, the EWA would have the following assets:

[fill in]

Possible modifications:

- o *Different sharing formulas*
- o *Credits based upon daily accounting instead of treating credits as annual contracts.*
- o *More or less reclamation. More or less option contracts.*

Water Supply Impacts

The water supply impacts of the “day 1” and “end of stage 1” scenarios are as follows:

[List with both baselines]

Relationship to upstream water

1. There will be upstream environmental accounts. Changes in Delta operations may have upstream storage and yield implications. All operations will be based upon the “no harm” principle. If EWA operations in the Delta cost water upstream (something that

may not be known until the next winter), the EWA is responsible for finding compensation water. Similarly, if EWA operations in the Delta increase net supplies, the EWA will control this water.

2. The EWA and the ERP water purchase program will be integrated. Upstream EWA water may be used to satisfy instream flow targets and may be exported (at the discretion of the eco managers) to generate water in export areas. ERP purchases may be used to pay off upstream EWA debts to the water users.

Fungibility of EWA Credits

Except for the linkage between the EWA and the ERP water purchase program, water and money dedicated for the EWA cannot be reallocated to other ERP programs without the consent of all agencies with ESA responsibilities -- USFWS, NMFS, DFG. However, EWA water may be sold in order to help fund other EWA assets, such as storage facilities or water option contracts.

Operating/ Accounting Procedures

1. The fundamental principle is “no harm”. The EWA is responsible for supplying makeup water to the projects or for compensating those impacted by EWA operations. EWA operations that do not harm the water users do not require compensation (e.g., if San Luis fills despite EWA operations, then no compensation is required.).
2. The EWA would operate on a fiscal year that runs from one low point in San Luis to another. **[Could also be high point. I like low point because this is approximately when debts may need to be repaid to avoid harm]**
3. EWA may call for export reductions based upon the number of usable credits available to it at any given time. Usable credits are:
 1. Expected contract allocations from the state and federal projects; plus
 2. EWA water in surface storage; plus
 3. EWA groundwater storage that can be extracted in time to compensate water users within the EWA fiscal year; plus
 4. Water generated by efficiency or reclamation projects within the current year; plus
 5. The amount of callable water option contracts within the current year; minus
 6. The amount of credits already expended in the current year.
4. If EWA calls for export reductions between the end of the “fiscal” year and the high point in San Luis, then the amount of export reductions that must be made up is the lesser of (1) the unfilled portion of San Luis and (2) the amount of export reductions required. Thus, if San Luis fills, EWA debts to the projects are erased.
5. The EWA may make arrangements to carry over debt across “fiscal” years, using voluntary arrangements. For example, if San Luis has significant carryover storage and no users will be harmed by a delayed payback, then the debt may be carried into the next winter. If San Luis fills, then the debt will be erased. Similarly, the EWA may use its assets as collateral for multiyear loans (e.g., it may use groundwater storage as collateral for a long term loan of water from MWD).

Environmental priorities for state and federal conveyance facilities

Priorities, in descending order:

1. Firm contract deliveries -- including contract deliveries for the EWA.
2. EWA water generated by variances to standards.
3. Non firm deliveries to contractors
4. Reserved space for market transfers, including EWA transfers
5. EWA operations -- e.g., shifting water from one storage site to another.

Biological Aiming Points

Remain to be worked out. A combination of hydrological/biological aiming points (as in type 1 scenarios) and mortality based aiming points (as in type 3 scenarios). Analysis is required to show how close the scenario could come to meeting the type 1 aiming points, if operated in that fashion. This will indicate the degree to which ESA agencies could reproduce a type 1 scenario during stage 1, if they chose.

Decisionmaking authority

Near term authority for decisionmaking granted to USFWS, NMFS, DFG. Operational decisions generally worked out in Ops Group. Where time is essential, a subgroup may make decisions.

Day 1 assets (non spill storage, options) secured by SWP and USBR in consultation with USFWS, NMFS, DFG.

Longer term institutional arrangements still to be negotiated.

Regulatory Certainty

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Who Pays

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